

BDB Law

DU-BALADAD AND ASSOCIATES

ADVISORY

SERIES OF 2026

Clarification on the
Tax Treatment of
Cross-Border Services

BUREAU OF INTERNAL REVENUE
Revenue Memorandum Circular No. 24-2026
March 30, 2026

Clarification on the Tax Treatment of Cross-Border Services

I. Taxability of Cross-Border Services under RMC No. 5-2024

The cross-border services listed under RMC No. 5-2024 are not automatically subject to Philippine income tax by mere classification.

In the *Aces Philippines* case, the situs of taxation for services was expanded to consider not only where the service is performed, but also where its benefits are realized.

Accordingly, it must be established that the income derived from cross-border services is sourced within the Philippines by identifying the specific property, activity, or service that generated the income and showing that it gave rise to economic benefit either through the inflow of assets or the reduction of liabilities.

II. Evidentiary Requirements for Establishing the Taxability of Cross-Border Services in the Philippines

- The parties involved are the following:
 - Payor who is a Philippine resident individual or domestic corporation doing business; and
 - Payee who is a non-resident service provider;
- The specific activity or service:
 - Is integral to the delivery or completion of the non-resident service provider's service; and
 - Resulted in actual payment or accrual thereof, constituting economic benefit to the non-resident service provider.
- The situs of the income producing activity is within the Philippines; and
- There is no applicable income tax exemption under tax treaties or domestic law.

III. Documentary Evidence to Establish Non-Philippine Source Income of Payments to Non-Resident Service Providers

- A sworn statement executed by the individual payor or the duly authorized representative of the company, detailing the parties to the transaction, their relevant circumstances, and the nature and description of the services rendered;
- Copies of the relevant service contracts, master service agreements, or similar documents;
- Tax Residency Certificate issued by the tax authority of the non-resident service provider's residence jurisdiction;

BUREAU OF INTERNAL REVENUE
Revenue Memorandum Circular No. 24-2026
March 30, 2026

- ☑ SEC Certification of Non-Registration of the non-resident foreign corporation in the Philippines;
- ☑ Proof of organization or registration of the non-resident service provider's residence jurisdiction;
- ☑ Proof of outward remittance of payment;
- ☑ BIR Ruling, if the subject income is confirmed to be from sources outside the Philippines;
- ☑ BIR Certificate of Entitlement to Treaty Benefit, if the non-resident service provider is a resident of a jurisdiction with which the Philippines has a valid and effective double taxation agreement or tax treaty and is entitled to such treaty benefit; or
- ☑ Other relevant documents to prove that the subject income is not from sources within the Philippines.

IV. BIR Ruling for Cross-Border Transaction Taxability

A BIR ruling is not required to apply the tax treatment, provided the legal and factual basis therefor is properly supported. However, the taxpayer may still request a ruling to confirm the non-taxability of the income under the Tax Code or relevant tax treaty.

V. Effectivity

The circular shall take effect immediately.

Source:
BIR Revenue Memorandum Circular No. 24-2026
March 30, 2026

Learn more:

email us at info@bdblaw.com.ph
or call +632 8403-2001
visit us at: www.bdblaw.com.ph

*DISCLAIMER: This is for general information only and is not intended, nor should be construed as a substitute for tax, legal or financial advice on any specific matter.

Du-Baladad and Associates (BDB Law) is a multi-awarded, global tax law firm in the Philippines that offers services around 3 major areas of practice – **tax**, **legal** and **consulting**.

BDB Law

DU - BALADAD AND ASSOCIATES

© 2025 Du-Baladad and Associates. All Rights Reserved.